

No.

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IN THE  
**Supreme Court of the United States**

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CUSTOMEDIA TECHNOLOGIES, LLC,

*Petitioner,*

*v.*

DISH NETWORK CORPORATION;  
DISH NETWORK, LLC,

*Respondents.*

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*ON PETITION FOR A WRIT OF CERTIORARI  
TO THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT*

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

Six days prior to Customedia's oral argument before the Federal Circuit, the court decided *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), holding that Administrative Patent Judges (APJs) on the Patent Trial and Appeals Board (PTAB) were appointed in violation of the Appointments Clause. The next day Customedia raised an Appointments Clause challenge based on the intervening change in the law. In less than three hours, the Federal Circuit issued a precedential order refusing to apply the *Arthrex* ruling because Customedia did not raise the challenge in its opening brief.

The questions presented are:

1. Whether a court of appeals can invoke forfeiture to refuse to address an Appointments Clause violation in a pending appeal despite an intervening change in law.
2. Whether the PTAB exceeded its statutory authority under the Leahy-Smith America Invents Act and deprived Customedia of due process when the PTAB changed the petitioner's asserted grounds for review in the final written decision.
3. Whether claims to computer systems reciting the addition of specific computer hardware, which alters and interferes with the conventional operation of the computer system, are directed to patent-eligible subject matter within the meaning of 35 U.S.C § 101.

## **PARTIES TO THE PROCEEDINGS**

Petitioner Customedia Technologies, LLC was the patent owner in the proceedings before the Patent Trial and Appeal Board and the appellant in the court of appeals.

Respondents DISH Network Corporation and DISH Network LLC were petitioners in proceedings before the Patent Trial and Appeal Board and appellees in the court of appeals.

Title 28 U.S.C. § 2403(a) may apply. This petition for a writ of certiorari is being served on the Solicitor General. The court of appeals did not certify to the Attorney General the fact that the constitutionality of an Act of Congress was drawn into question pursuant to 28 U.S.C. §2403(a).

## **RULE 29.6 STATEMENT**

Pursuant to this Court's Rule 29.6, petitioner Customedia Technologies, LLC states that Texas Customedia, LLC is petitioner's parent corporation and no other publicly held company owns 10 percent or more of petitioner's stock.

## RELATED PROCEEDINGS

The following proceedings are directly related to the case:

*Customedia Technologies, LLC v. DISH Network Corporation, and DISH Network LLC*, No. 2:16-CV-00129-JRG, (E.D. Tex.), cased stayed.

*DISH Network Corporation, and DISH Network LLC*, CBM2017-00019 (P.T.A.B.), final written decision entered July 25, 2018.

*Customedia Technologies, LLC v. DISH Network Corporation, and DISH Network LLC*, No. 2019-1001 (Fed. Cir.), judgment entered on November 8, 2019.

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**PETITION FOR A WRIT OF CERTIORARI**

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Petitioner Customedia Technologies, LLC (“Customedia”) respectfully petitions for a writ of certiorari to review the judgment and orders of the United States Court of Appeals for the Federal Circuit.

## OPINIONS AND ORDERS BELOW

The precedential order of the court of appeals (App., *infra*, 1a-3a) denying motion to vacate and remand is reported at 941 F.3d 1174 (Fed. Cir. 2019). The order of the court of appeals (App., *infra*, 4a – 5a) denying motion for leave to file a supplemental brief is unreported. The judgment of affirmance without opinion of the court of appeals (App., *infra*, 6a-7a) is unreported but is available at 783 F. App'x 1041 (Fed. Cir. 2019). The order of the court of appeals (App., *infra*, 8a-9a) denying motion for panel reconsideration and reconsideration en banc is unreported. The order of the court of appeals (App., *infra*, 10a-12a) denying panel rehearing and rehearing en banc is unreported. The PTAB's decision to institute (App., *infra*, 13a-49a) is unreported but is available at 2017 WL 3068140. The PTAB's final written decision (App., *infra*, 50a-139a) is unreported but is available at 2018 WL 3602858.

## JURISDICTION

The judgment of the court of appeals was entered on November 8, 2019. App., *infra*, 6a-7a. The court of appeals denied a timely petition for rehearing en banc on March 5, 2020. App., *infra*, 10a–12a. On March 19, 2020, the Court issued an order extending the time for filing a petition for a writ of certiorari to 150 days from the date of the lower court's denial of a timely petition for rehearing, thus to and including August 2, 2020. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

This petition draws into question the constitutionality of certain applications of a federal statute, as interpreted by the Court of Appeals for the Federal Circuit. 28 U.S.C. § 2403(a) therefore may apply. Accordingly, this Petition is being served upon the Solicitor General of the United States.

The Court of Appeals for the Federal Circuit did not certify to the Attorney General the fact that the constitutionality of an Act of Congress was drawn into question pursuant to 28 U.S.C. § 2403(a).

### **CONSTITUTIONAL AND STATUTORY PROVISION INVOLVED**

The Appointments Clause of the U.S. Constitution, the Fifth Amendment of the U.S. Constitution, and pertinent statutory provisions are reproduced in the Appendix at App. 186a–201a.

### **STATEMENT**

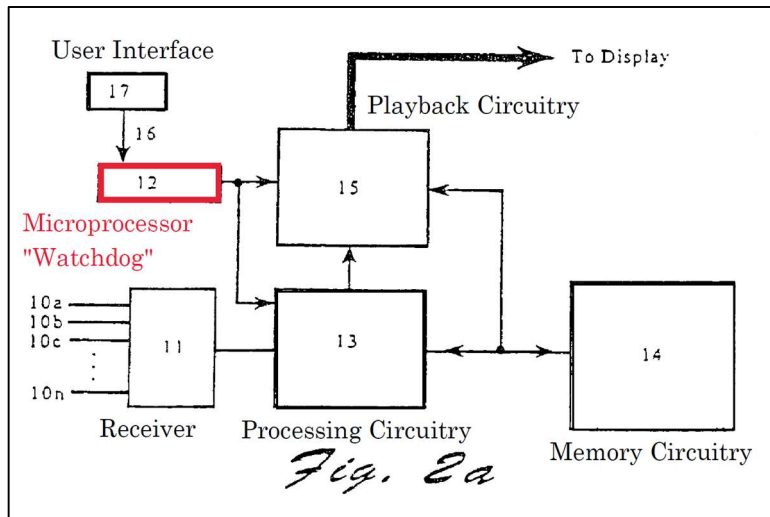
This case presents a question that is the subject of multiple pending petitions. See Pet. i–33, *Duke Univ. v. BioMarin Pharm. Inc.*, No. 19-1475 (filed July 2, 2020); Pet. i–33, *Sanofi-Aventis Deutschland GMBH v. Mylan Pharm. Inc.*, No. 19-1451, (filed June 26, 2020); Pet. i–33, *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 19-1204 (filed Apr. 6, 2020). In addition, this case presents a question concerning the Federal Circuit’s error in affirming an executive agency acting *ultra vires* and cancelling a patent reciting eligible subject matter in violation of both the Due Process Clause of the Fifth Amendment and the Administrative Procedure Act. Because this case



presents the correct (and best) procedural posture for this Court to resolve the first presented issue, plus a clear opportunity to prevent injustice caused by an overreach of administrative power, the Court should grant this petition to correct the errors below. Lastly, this case concerns the patent-eligibility of claims which recite alterations to conventional systems that improve the functioning of said systems under 35 U.S.C. § 101.

#### **A. Customedia's Invention**

Customedia owns U.S. Patent No. 7,840,437 (the '437 Patent). The '437 Patent discloses a new, unconventional system for managing and controlling access to digital data in an integrated broadcast network comprised of a remote account transaction server (ATS) and programmable local receivers (set-top boxes). App., *infra*, 163a (4:17–23). Figure 2a depicts an illustrative view of the claimed interconnected components of the set-top box configured for providing digital rights management of the received and stored digital data.



App., *infra*, 142a (annotated).

Controlling the access of proprietary data to authorized end users—and preventing unauthorized users from accessing the data—was a technological dilemma confounding digital industries after the data explosion of the 1990s. For example, in the decade after Napster allowed unfettered access to digital music, music sales and licensing in the United States fell nearly 57% from \$14.6 billion in 1999 to \$6.3 billion in 2009. David Goldman, *Music's Lost Decade: Sales Cut in Half*, CNN Money, [http://money.cnn.com/2010/02/02/news/companies/napster\\_music\\_industry/](http://money.cnn.com/2010/02/02/news/companies/napster_music_industry/) (Feb. 3, 2010). The cause was clear: consumers stopped paying for music because the music industry had no way to prevent them from gaining unauthorized digital access to data. *Id.* In sum, piracy prevailed in a newly digital world and security was a need.

In 2001, the International Organization for Standardization (ISO) and the International

Electrotechnical Commission Joint Technical Committee (the JTC) described how the technological community was facing the problem of controlling access to proprietary data. In their MPEG-21 Technical Report, the ISO and the JTC explained:

Currently, multimedia technology provides the different players in the multimedia value and delivery chain (from content creators to end-users) with an excess of information and services. . . . [N]o complete solutions exists that allow different communities, each with their own models, rules, procedures, interests and content formats, to interact efficiently using this complex infrastructure. . . . The multimedia content delivery chain encompasses content creation, production, delivery and consumption. To support this, the content has to be identified, described, *managed* and *protected*.

CA-Appx4028 (emphasis added).

According to the JTC, a central tenet of the management and protection of that data was how to technologically control and enforce intellectual property rights across platforms: “Intellectual Property Management and Protection (the means to enable Digital Items and their rights to be persistently and reliably managed and protected across a wide range of networks and devices).” CA-Appx4028; see also CA-Appx4038–

4039. That tenet was driven by content providers' concern that existing technologies were not meeting basic technological problems created by the data revolution, including "[m]anagement of content, repurposing content based on consumer/device capabilities, *protection of rights, protection from unauthorized access/modification*, protection of privacy of providers and, etc." CA-Appx4033 (emphasis added).

The '437 Patent solves the real-world problems identified by the MPEG-21 and felt by digital industries. Specifically, the '437 Patent prevents the unauthorized access, use, and distribution of copyrighted rented digital data that has been received by a set-top box having the ability to store the digital data in memory, and a user interface that allows a user of the device to program which processing functions are applied to the stored rented digital data. See App., *infra*, 163a (4:3–8), 165a (7:11–25, 7:48–58), 166a (9:5–18, 9:65–10:1, 10:59–67), 167a (11:1–3).

The '437 Patent solves the problem of unauthorized use of rented digital data by including a separate and distinct microprocessor in a set-top box that operates as a security "watchdog" over the processing circuitry and playback circuitry. According to control information sent with the rented digital data, the microprocessor enacts a simulated return of the digital data. When the simulated return occurs, the microprocessor blocks a user's ability to access to the protected digital data. The added microprocessor "watchdog" (as opposed to other conventional computer processing circuitry in the system) is explicitly recited in Claim 1:

f. a microprocessor having software programming to control the operation of the processing circuitry and the playback circuitry enabling the recording of rented data and enacting a simulated return of said rented data by deleting or scrambling said data from said built in storage device or blocking further access to said data, and notifying a data supplier of said simulated return.

App., *infra*, 184a (46:31–37).

Stated differently, the claims of the '437 Patent recite an improved internal digital rights management configuration for set-top boxes that have enhanced storage and user access capabilities over prior conventional systems. This particular configuration improves the functionality and security of the system because it assures the digital rights are protected in a system in which the user has the ability to program processing functions that are applied to the stored data. Thus, the claims recite a unique *change* to computer hardware.

Like the patent-eligible claims in *Diamond v. Diehr*, 450 U.S. 175 (1981), the claims of the '437 Patent recite patent-eligible subject matter. In *Diehr*, the claims at issue recited a step-by-step method for molding precision synthetic rubber, “beginning with the loading of a mold with raw, uncured rubber [into a press] and ending with the eventual opening of the press at the conclusion of the cure.” 450 U.S., at 184. The problem with properly curing rubber was that, in conventional systems, the

time necessary to raise the mold temperature to curing temperature was an unpredictable variable. *Id.* at 177–78. The claims at issue solved this problem by adding to the system a specific, physical piece of equipment, a thermocouple, that continuously measured the actual temperature in the closed press. *Id.* at 178, n. 3. The measurements were then fed to a computer which repeatedly recalculated the cure time using a mathematical equation. *Id.* at 178. Thus, the claims in *Diehr* altered the conventional operation of the system to create something unconventional and patent-eligible. Here, the '437 Patent *adds* a specific, physical piece of computer hardware—the microprocessor “watchdog”—that alters the conventional operation of the system in order to prevent the unauthorized access to protected data and the specification describes *how* the set-top box enforces this digital rights management.

Additionally, the claims of the '437 Patent can be distinguished from the patent-ineligible claims in *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014). In *Alice*, the claims at issue amounted to “an instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer.” 573 U.S., at 226. Viewing the claim elements separately, “the function performed by the computer at each step of the process [was] purely conventional.” *Id.*, at 225 (citation and internal quotation marks omitted). Viewed as a whole, the claims recited an abstract idea performed by a generic computer. *Id.* Here, the claims of the '437 Patent do not merely use a generic computer to accomplish an abstract idea. Instead, the claims

alter the conventional operation of the system by using an added piece of computer hardware to solve a real-world problem within digital industries. In other words, the addition of the microprocessor “watchdog” to actively prevent unauthorized access to proprietary data is distinguishable from implementing a conventional computer to perform an abstract process. Thus, the claims of the ’437 Patent match the eligibility of the claims in *Diehr* that altered the conventional operation of a system—unlike the patent-ineligible claims in *Alice*.

### **B. Statutory And Regulatory Framework**

The Patent Act of 1952, 35 U.S.C § 1 *et seq.*, establishes the United States Patent and Trademark Office (USPTO) as an executive agency within the United States Department of Commerce “responsible for the granting and issuing of patents and the registration of trademarks.” 35 U.S.C. § 2(a)(1); see 35 U.S.C. § 1(a). The Patent Trial and Appeal Board (PTAB) is an administrative tribunal within the USPTO. 35 U.S.C. § 6. The PTAB consists of the Director of the USPTO, the Deputy Director, the Commissioners for Patents and Trademarks, and “administrative patent judges.” 35 U.S.C. § 6(a). Administrative patent judges (APJs) are “persons of competent legal knowledge and scientific ability who are appointed by the Secretary [of commerce], in consultation with the Director.” *Ibid*.

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), which created a new post-issuance patent review proceeding called “covered business method” (CBM) review. Pub. L. No. 112-29, § 18, 125 Stat. 284; see also 37 C.F.R.

§§ 42.300–304 (2016) (setting forth the rules governing the transitional program for covered business method patents). CBM review tracks the “standards and procedures of” post-grant review under 35 U.S.C. Chapter 32. Pub. L. No. 112-29, § 18(a)(1), 125 Stat. at 329. Like post-grant review, CBM review “permits ‘a person who is not the owner of a patent’ to petition for review and cancellation of a patent on any ground of unpatentability.” *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1860 (2019) (quoting 35 U.S.C. § 321). The PTAB conducts all instituted CBM reviews. 35 U.S.C. § 326(c). A party dissatisfied with a final written decision of the PTAB conducting a CBM review may appeal directly to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. § 329; 35 U.S.C. § 141(c).

### **C. Proceedings Before The PTAB**

On February 10, 2016, Customedia sued DISH Network Corporation and Dish Network L.L.C. (collectively, “DISH”) in the United States District Court for the Eastern District of Texas for infringement of the ’437 Patent. On December 5, 2016, DISH petitioned the PTAB to institute a CBM review of claims 1, 9, 10, and 13–16 of the ’437 Patent on grounds of unpatentability under 35 U.S.C. §§ 101, 102, and 103.

On June 12, 2017, the PTAB instituted CBM review of the claims but only on the ground of unpatentability under § 101. App., *infra*, 13a–49a. In its institution decision, the panel determined that DISH’s asserted ground was insufficient to show patent ineligibility. See *id.* at 30a. But a split panel



then deviated from DISH's asserted ground of patent eligibility under § 101. *Id.* at 30a, 48a. Specifically, the split panel changed DISH's ground as to what the claims were directed to from "delivering rented audio/video content to a user," to "delivering rented audio/video *electronic* content to a user." *Id.* at 30a. The PTAB then determined that its amended phrase constituted an abstract idea, and that the claims did not recite an inventive concept that amounted to "significantly more" than an abstract idea. *Id.* at 31a–36a. Thus, the PTAB concluded that DISH had demonstrated that it was more likely than not that DISH would prevail in showing that the claims were unpatentable under § 101. *Id.* at 36a. Administrative Patent Judge Petravick, concurring, disagreed with the majority's *sua sponte* amendment to the abstract idea set out in DISH's petition. *Id.* at 47a–48a. The parties then proceeded pursuant to the PTAB's institution decision, arguing whether the '437 Patent was directed to the PTAB's abstract idea. Oral argument was held on March 5, 2018.

On July 25, 2018, a panel of three APJs issued a final written decision holding the claims at issue unpatentable under § 101. *App., infra*, 50a–138a. Out of necessity to reach its holding, the PTAB *again* changed DISH's asserted ground of the petition by modifying the abstract idea without providing Customedia notice or an opportunity to be heard on the issue or present evidence countering the new abstract idea. *Id.* at 101a–106a. Specifically, the PTAB expanded the scope of its abstract idea by theorizing four "minimum steps needed" to implement the abstract idea of "delivering rented audio/video electronic content to a user," the last

step of which is not even executed by the '437 Patent. *Id.* at 101a–102a. The PTAB then determined that Claim 1 of the '437 Patent was directed to the twice-modified abstract idea. *Id.* at 101a–106a. Customedia sought relief through appeal.

#### **D. Appellate Proceedings**

Pursuant to 35 U.S.C. § 141(c), Customedia timely appealed the PTAB's final written decision to the United States Court of Appeals for the Federal Circuit. On February 13, 2019, Customedia filed its opening brief. On June 5, 2019, Customedia filed its reply brief. Customedia did not raise an Appointments Clause challenge in either brief.

On October 31, 2019 at 3:47 p.m., the Federal Circuit decided *Arthrex, Inc. v. Smith & Nephew, Inc.*, holding that the structure of the PTAB violated the Appointments Clause because APJs constituted principal officers that were not appointed by the President and confirmed by the Senate. 941 F.3d 1320 (Fed. Cir. 2019), reh'g denied, 953 F.3d 760 (Fed. Cir. 2020) (en banc); see also U.S. Const. art. II, § 2. In an attempt to remedy the violation, the Federal Circuit severed the APJs' removal protections under Title 5 of the United States Code and remanded the case for a new hearing before a different panel of APJs. *Id.*, at 1335–40 (citing *Lucia v. SEC*, 138 S. Ct. 2044 (2018)).

The next morning, at 8:39, Customedia filed a notice of supplemental authority pursuant to Rule 28(j) of the Federal Rules of Appellate Procedure. The notice raised an Appointments Clause challenge in light of the intervening change in the law created by the *Arthrex* decision. That afternoon, at 2:20,

Customedia filed a motion to vacate and remand in light of *Arthrex*. At 4:36, Customedia filed a motion for leave to file a supplemental brief which raised an Appointments Clause challenge. The motion for leave included an attached supplemental brief addressing the Appointments Clause violation caused by the structure of the PTAB.

Later that evening, at 5:24, the Federal Circuit issued a precedential order denying Customedia's motion to vacate and remand. App., *infra*, 1a–3a. In the order, without considering the intervening change in the law caused by *Arthrex* and any resulting exception to forfeiture, the Federal Circuit determined that Customedia had waived its Appointments Clause challenge because it failed to raise the issue in its opening brief. Five days later, the court heard oral argument on the merits.

On November 7, 2019, the Federal Circuit denied Customedia's motion for leave to file a supplemental brief in light of the November 1 precedential order. App., *infra*, 4a–5a. The next day, the Federal Circuit issued a summary affirmance without opinion pursuant to Federal Circuit Rule 36. App., *infra*, 6a–7a. On December 16, 2019, Customedia filed a motion for panel reconsideration and reconsideration en banc of the November 1 and November 7 orders. The court denied this motion on December 23, 2019. App., *infra*, 8a–9a. On January 7, 2020, Customedia filed a combined petition for rehearing and rehearing en banc. The Federal Circuit denied Customedia's combined petition on March 5, 2020. App., *infra*, 10a–11a.

## REASONS FOR GRANTING THE PETITION

This case presents a refusal by the Federal Circuit to follow a change in the law while affirming an executive agency exceeding its statutory authority and depriving a patent owner of due process. After denying a motion to vacate and remand, and then refusing to accept a supplemental brief on the change in the law caused by its *Arthrex* decision, the Federal Circuit effectively abolished exceptions to forfeiture. Contrary to this Court's precedents, as well as its own, the Federal Circuit created an unjust rule that, "Any argument not presented in, or prior to filing, an opening brief is forfeited without exception—even if there has been a change of the law." Additionally, the Federal Circuit affirmed the PTAB *sua sponte* changing the grounds of a petition for CBM review and relying on the changed grounds in a final written decision—an act that goes beyond its statutory authority under the AIA. Moreover, the Federal Circuit affirmed the PTAB depriving a patent owner of due process, as well as violating the Administrative Procedure Act, by changing the CBM petitioner's grounds *for a second time* without notice to the patent owner in a final decision that could not be reviewed at the administrative level. Lastly, because of the PTAB's perverse procedure, the PTAB erred in finding unpatentable claims which recite alterations to conventional systems that improve the functioning of said systems under 35 U.S.C. § 101. The Court should grant this petition to correct these errors.

## I. THE FEDERAL CIRCUIT ERRED IN ABOLISHING EXCEPTIONS TO FORFEITURE

Prior to the Federal Circuit rendering judgment—and even prior to oral argument—Customedia raised the intervening change of law caused by the Federal Circuit’s decision in *Arthrex* through all available methods. Against this Court’s precedents and its own, the Federal Circuit held that Customedia had forfeited its Appointments Clause challenge. Refusing to consider the change-in-law exception to forfeiture, the Federal Circuit erred by creating a rule abolishing exceptions to forfeiture. The Federal Circuit’s error warrants this Court’s review, and *this* case contains the appropriate (and best) procedural posture for this Court to correct the error.

*Arthrex* was a significant change in the law that occurred during the pendency of Customedia’s appeal. Prior to its decision in *Arthrex*, the Federal Circuit had twice rejected the same Appointments Clause challenge. See *Trading Techs. Int’l, Inc. v. IBG LLC*, 771 F. App’x 493 (Fed. Cir. 2019); *Bedgear, LLC v. Fredman Bros. Furniture Co.*, 779 F. App’x 748 (Fed. Cir. 2019), reh’g granted, judgment vacated, No. 18-2170, 2020 WL 2050663 (Fed. Cir. Apr. 29, 2020). Additionally, this Court denied certiorari in a case presenting the same Appointments Clause question. *Smartflash LLC v. Samsung Elecs. Am., Inc.*, 139 S. Ct. 276 (2018); Pet. i, 18, *Smartflash LLC*, No. 18-189 (filed Aug. 9, 2018). Thus, when Customedia filed its brief, the law appeared settled and the Federal Circuit’s holding in *Arthrex* was not reasonably foreseeable.

When Customedia filed its opening brief it was unaware of the Appointments Clause challenge raised in *Arthrex*. It was not until the Federal Circuit issued its decision in *Arthrex* that Customedia became aware of the issue. Within twenty-five hours of *Arthrex*, Customedia diligently raised an Appointments Clause challenge through all appropriate procedures—a Rule 28(j) letter, a motion to vacate and remand, and a motion for leave to file a supplemental brief. Forty-eight minutes after Customedia filed its motion for leave, the court denied the motion to vacate and remand in a precedential order. App., *infra*, 1a–3a. Six days later, the court denied the motion for leave to file a supplemental brief “[i]n light of” the prior order. App., *infra*, 4a, 5a. The next day, the court summarily affirmed the PTAB’s final written decision. App., *infra*, 6a, 7a.

In its orders denying Customedia’s motions, the court, per curiam, abolished exceptions to forfeiture—sharply deviating from this Court’s precedents. In the order denying Customedia’s motion to vacate and remand, the Federal Circuit applied the typical rule that “arguments not raised in the opening brief are waived.” App., *infra*, 2a. Without explanation, the Federal Circuit stated that its own rule applied to Appointments Clause challenges and failed to address the change in the law created by *Arthrex*. *Id.* Therefore, because Customedia “did not raise any semblance of an Appointments Clause challenge in its opening brief or raise this challenge in a motion filed prior to its opening brief,” the Federal Circuit concluded that Customedia had forfeited its Appointments Clause

challenge. *Id.* at 3a. “In light of” this order, the Federal Circuit then refused to consider any supplemental briefing. App., *infra*, 5a. Thus, the Federal Circuit created a standard that *any* argument—even a constitutional defense established by an intervening change in the law—not raised in an opening brief or prior motion is forfeited *without exception* and will not be considered by the court. That standard is contrary to this Court’s precedents and will have widespread consequences if left unaddressed.

#### **A. The Federal Circuit’s Decision Is Contrary to the Court’s Precedents**

As this Court has recognized, forfeiture does not apply in “those [cases] in which there have been judicial interpretations of existing law after decision below and pending appeal—interpretations which if applied might have materially altered the result.” *Hormel v. Helvering*, 312 U.S. 552, 558–59 (1941). And here, “the mere failure to interpose [a constitutional] defense prior to the announcement of a decision which might support it cannot prevent a litigant from later invoking such a ground.” *Curtis Publ’g Co. v. Butts*, 388 U.S. 130, 142–43 (1967). This is particularly true where a defense has been previously rejected by a court. Even where petitioners have failed to raise them before the court of appeals, this Court has reviewed structural constitutional challenges to an adjudicator’s authority. See, e.g., *Nguyen v. United States*, 539 U.S. 69, 73, 80–81 (2003) (addressing challenge to territorial judge’s participation on appellate panel raised for the first time in petition for certiorari); *Freytag v. Comm’r*, 501 U.S. 868, 879 (1991)

(reviewing Appointments Clause challenge despite waiver due to “the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers” (citation omitted)). And those principles are even more important here where the only reason for the alleged forfeiture was that the law changed while Customedia’s appeal was pending. See *Harper v. Va. Dep’t of Taxation*, 509 U.S. 86, 97 (1993) (“When this Court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review . . . .”); *Thorpe v. Hous. Auth. of City of Durham*, 393 U.S. 268, 281 (1969) (“[A]n appellate court must apply the law in effect at the time it renders its decision.”). Moreover, when a claim is based on an intervening decision, “the failure to raise the claim in an opening brief reflects not a lack of diligence, but merely a want of clairvoyance.” *Joseph v. United States*, 574 U.S. 1038, 1039 (2014) (Kagan, J., respecting denial of certiorari). Justice Kagan’s statement in *Joseph*, in which Justice Ginsburg and Justice Breyer joined, paints a similar picture to the case at hand.

In *Joseph*, the petitioner, a criminal defendant, did not raise in his opening brief an argument which, at the time, was precluded by Eleventh Circuit precedent. 574 U.S., at 1038. Shortly thereafter, this Court rendered a decision which made clear that “the relevant Circuit precedent was no longer good law.” *Id.* (citation and internal quotation marks omitted). Five days later, the petitioner moved to file a replacement brief raising the once-precluded argument, but the Eleventh Circuit refused to accept



the filing when “[n]ot a single other court of appeals would have done [so].” *Id.* As Justice Kagan explained, “Every circuit, save the Eleventh, accepts supplemental or substitute briefs as a matter of course when this Court issues a decision that upsets precedent relevant to a pending case . . . .” *Id.* Here, while this Court admittedly did not issue a decision upsetting precedent, Customedia moved to file a supplemental brief less than twenty-five hours after the Federal Circuit rendered a monumental decision holding that the structure of the PTAB was unconstitutional. And if this Court chooses to address the Federal Circuit’s Appointments Clause holding, Justice Kagan’s statement may be even more applicable here. See Pet. 20–27, *United States v. Image Processing Techs. LLC*, No. 20-74 (filed July 23, 2020); Pet. 1–30, *Polaris Innovations Ltd. v. Kingston Tech. Co.*, No. 19-1459 (filed June 30, 2020); Pet. 1–35, *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 19-1458 (filed June 30, 2020); Pet. 1–34, *Smith & Nephew, Inc. v. Arthrex, Inc.*, No. 19-1452 (filed June 29, 2020); Pet. 1–34, *United States v. Arthrex, Inc.*, No. 19-1434 (filed June 25, 2020). Additionally, an intra-circuit division like the one which Justice Kagan identified in *Joseph* exists here because the Federal Circuit has refused to follow its own change-in-law exception precedent.

### **B. The Federal Circuit’s Decision Is Contrary to Its Own Precedent**

Not only is the Federal Circuit’s order abolishing exceptions to forfeiture contrary to this Court’s precedents, but also such abolition is contrary even to its own precedent. “Adherence to precedent is necessary to ‘avoid an arbitrary discretion in the

courts.” *June Med. Servs. L.L.C. v. Russo*, 140 S. Ct. 2103, 2134 (2020) (Roberts, C.J., concurring in judgment) (quoting *The Federalist* No. 78, p. 529 (J. Cooke ed. 1961) (A. Hamilton)).

In *BioDelivery Scis. Int’l, Inc. v. Aquestive Therapeutics, Inc.*, the Federal Circuit held that the challenger in an inter partes review did not waive its right to seek relief based on *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348 (2018). 898 F.3d 1205, 1209 (Fed. Cir. 2018). This was due to the challenger’s failure to raise the issue during the brief period of its appeal because “SAS represented a significant change in the law that occurred during the pendency of [the challenger’s] appeals.” *Id.* (citing *Polaris Indus. v. Arctic Cat, Inc.*, 724 F. App’x 948, 949 (Fed. Cir. 2018) (“Precedent holds that a party does not waive an argument that arises from a significant change in law during the pendency of an appeal.”)). Clearly, the Federal Circuit has now abandoned this holding by refusing to apply the change-in-law exception to appeals pending before *Arthrex*. See also Pet. 7–25, *Duke*, No. 19-1475 (filed July 2, 2020); Pet. 2–24, *Sanofi*, No. 19-1451, (filed June 26, 2020); Pet. 27–33, *Arthrex*, No. 19-1204 (filed Apr. 6, 2020).

In *Arthrex* itself the court excused the appellant’s failure to raise its Appointments Clause challenge before the PTAB. 941 F.3d, at 1326–27. In the Federal Circuit’s view, it is permissible for a party to not raise “an issue of exceptional importance” at the administrative level, but impermissible to not raise the same issue at the appellate level. *Id.*, at 1327. This inconsistency requires this Court’s review.

### C. The Inconsistent Consequences of the Federal Circuit's Decision Are Growing

The fact that the Federal Circuit applied its *Arthrex* cure to some cases and not to Customedia is unjust, and further shows that the ultimate factor was simply being fortunate enough to have an opening brief due after *Arthrex*. This is evidenced by the Federal Circuit granting a motion to vacate and remand in *Vilox Techs., LLC v. United Patents, Inc.*, No. 19-2057 (Fed. Cir. Jan. 21, 2020), after the appellant received a forty-six-day extension to file its opening brief—pushing its original deadline past the *Arthrex* decision. See also *VirnetX Inc. v. Cisco Sys., Inc.*, No. 19-1671, 2020 WL 2511116, at \*1 (Fed. Cir. Jan 24, 2020) (extending the *Arthrex* cure to inter partes reexaminations); *In re: Boloro Glob. Ltd.*, 963 F.3d 1380 (Fed. Cir. 2020) (extending the *Arthrex* cure to ex parte reexaminations). Justice requires that *all* pending appeals be afforded the cure, not merely those with shifting deadlines. See also Pet. 7–25, *Duke*, No. 19-1475 (filed July 2, 2020); Pet. 2–24, *Sanofi*, No. 19-1451, (filed June 26, 2020); Pet. 27–33, *Arthrex*, No. 19-1204 (filed Apr. 6, 2020).

The effects of the Federal Circuit's precedential order in this case have already been felt. Citing the order, the Federal Circuit has repeatedly rejected requests to vacate and remand PTAB decisions in light of *Arthrex* and requests to file supplemental briefs. See *Huawei Techs. Co., Ltd. v. Iancu*, No. 2019-1497, 2020 WL 2988861, at \*5, n. 1 (Fed. Cir. June 4, 2020) (citing *Customedia Techs., LLC v. Dish Network Corp.*, 941 F.3d 1173, 1174 (Fed. Cir. 2019)); see also *Huawei Techs. Co., Ltd. v. Iancu*, No. 2019-1493, 2020 WL 2488644, at \*6, n. 1 (Fed. Cir. May

14, 2020) (same); *Ciena Corp. v. Oyster Optics, LLC*, 958 F.3d 1157, 1159, 1162 (Fed. Cir. 2020) (same)); *Pers. Audio, LLC v. CBS Corp.*, 946 F.3d 1348, 1352, n. 1 (Fed. Cir. 2020) (same).<sup>1</sup> And in *Sanofi-Aventis Deutschland GMBH v. Mylan Pharm., Inc.*, the Federal Circuit rejected the appellant's request via letter to vacate and remand the PTAB's decision in light of *Arthrex*. 791 F. App'x 916, 928, n. 4 (Fed. Cir. 2019) (citing *Customedia*, 941 F.3d, at 1174). Even the PTAB itself is now applying the Federal Circuit's order in its decisions. See, e.g., *Baker Hughes, a GE Co. v. Liquidpower Specialty Prods. Inc.*, 2020 WL 2478474, at \*1 (P.T.A.B. May 11, 2020).

These examples are only the beginning of an evolving problem with lasting effects unless this Court corrects the Federal Circuit's error. While each of the cited cases concerned a party raising an Appointments Clause challenge after filing an opening brief, the Federal Circuit has created a broad, all-encompassing rule that can extend to other changes in the law. In other words, the Federal Circuit's announced rule is not, "Appointments Clause challenges not raised in, or prior to, an opening brief are forfeited." Rather, it is, "All arguments not raised in an opening brief are forfeited without exception, including Appointments Clause challenges, even if they are raised in a supplemental brief following a change in the law."

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<sup>1</sup> The Federal Circuit's order denying Customedia's motion to vacate and remand in No. 2019-1001 is reported at 941 F.3d 1174–75. In related appeals, the Federal Circuit issued an identical order which is reported at 941 F.3d 1173–74.

See App., *infra*, 1a–3a; *id.*, at 4a–5a. That unjust rule cannot stand.

**D. The Court Should Either Grant the Petition or Hold the Case Pending *Arthrex*, *Polaris*, and/or *United States v. Image Processing Techs. LLC***

It is the responsibility of every court to “decide according to existing laws.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 227 (1995) (quoting *United States v. Schooner Peggy*, 5 U.S. 103, 110 (1801)). And while this Court will “usually allow the courts of appeals to clean up intra-circuit divisions on their own, in part because their doing so may eliminate any conflict with other courts of appeals[.]” *Joseph*, 574 U.S., at 1038, this Court must grant certiorari because of the Federal Circuit’s unique status among the circuit courts of appeals. No other circuit court of appeals will have the opportunity to resolve the issues stemming from *Arthrex*, and the Federal Circuit has denied en banc rehearing in *Arthrex* and all cases directly related to it. App., *infra*, 10a–11a; Pet. App. 163a–164a, *Duke*, No. 19-1475 (filed July 2, 2020); Pet. App. 261a–266a, *Polaris*, No. 19-1459 (filed June 30, 2020); Pet. App. 76a–79a, *Arthrex*, No. 19-1458 (filed June 30, 2020); Pet. App. 141a–142a, *Sanofi*, No. 19-1451 (filed June 26, 2020);

This case presents the correct (and best) procedural posture for this Court to address the Federal Circuit’s errors regarding forfeiture. In neither *Duke*, *Sanofi*, nor *Arthrex* (No. 19-1204) did the petitioner file a motion to vacate and remand, a Rule 28(j) letter, *and* a supplemental brief *all prior* to oral argument before the Federal Circuit. See 19-1475

Pet. 11–12; 19-1451 Pet. 7–8; 19-1204 Pet. 10–13. The Federal Circuit had a clear opportunity to invite argument in this case but refused without sufficient explanation or analysis. Further, the Federal Circuit’s repeated denial of motions to vacate and remand in light of *Arthrex* stems from the precedential order it issued in *this* case. No matter if this Court grants certiorari in either *Arthrex*, *Polaris* or *United States v. Image Processing Techs. LLC* to address the Appointments Clause issue, the Court should address the Federal Circuit’s clearly incorrect rule abolishing all exceptions to forfeiture. Accordingly, the Court should grant this petition or hold this case pending its decision in either *Arthrex*, *Polaris*, and/or *United States v. Image Processing Techs. LLC*, No. 20-74 (filed July 23, 2020).

## **II. THE FEDERAL CIRCUIT’S DECISION AFFIRMING AN EXECUTIVE AGENCY EXERCISING POWER BEYOND ITS AUTHORITY AND WITHOUT NOTICE WARRANTS THIS COURT’S REVIEW**

### **A. The Federal Circuit’s Decision Affirms An Executive Agency Acting *Ultra Vires***

“When an agency exercises power beyond the bounds of its authority, it acts unlawfully.” *Dep’t of Homeland Sec. v. Regents of the Univ. of Cal.*, 140 S. Ct. 1891, 1921 (2020) (Thomas, J., concurring in part and dissenting in part) (citing *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1358, n. (2018)). Here, the PTAB engaged in “shenanigans” by *sua sponte* changing the grounds in DISH’s petition for CBM review and relying on the changed grounds in a final

written decision, an action “outside its statutory limits” that the Federal Circuit failed to invalidate. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016). This Court should grant this petition to correct the Federal Circuit’s error.

Alongside “inter partes review” and “post-grant review,” CBM review is one of the AIA’s three post-issuance patent review proceedings that are “adjudicatory in nature.” *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1860 (2019). To initiate a CBM review, a party must file a petition “to institute a [CBM] review of [a] patent.” 35 U.S.C. § 321(a); see also AIA § 18(a)(1) (stating that CBM review employs the standards and procedures of post-grant review). In its petition, the petitioner must identify, “in writing and with particularity,” each claim challenged, the grounds for challenging each claim, and the evidence supporting such grounds for the challenge to each claim. 35 U.S.C. § 322(a)(3). If a petition is filed, the patent owner may submit a preliminary response setting forth the reasons why no CBM review should be instituted. 35 U.S.C. § 323. Before instituting review, the Director must determine whether “the information presented in the petition . . . if such information is not rebutted, would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.” 35 U.S.C. § 324(a).

Here, the petitioner, DISH, contended that the ’437 Patent is unpatentable under 35 U.S.C. § 101. Following this Court’s two-step framework in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), and *Alice Corp. v. CLS Bank Int’l*, 573 U.S. 208 (2014), DISH contended in its petition for

CBM review that Claim 1 of the '437 Patent is directed to the abstract idea of “delivering rented audio/video to a user.” App., *infra*, 28a. The panel determined that DISH’s asserted ground was insufficient to show ineligibility. See *id.*, at 30a. But a split panel then changed *sua sponte* DISH’s assertion “as to what the claims are direct[ed] to as follows: ‘delivering rented audio/video *electronic* content to a user.’” App., *infra*, 30a, 48a (emphasis in original). Nowhere in the AIA did Congress give the PTAB authority to change the grounds of a petition for any type of post-issuance patent review proceeding, and such action is contrary to this Court’s decision in *SAS*.

In *SAS*, this Court analyzed the procedures of inter partes review and held that “once the agency institutes inter partes review, it must ‘resolve *all* of the claims in the case.’” *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1376 (2020) (quoting *SAS*, 138 S. Ct., at 1353) (emphasis original). This Court emphasized that “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.” *SAS*, 138 S. Ct., at 1355. Further, “[m]uch as in the civil litigation system it mimics, in an inter partes review the petitioner is master of its complaint . . .” *Id.* It is thus “the *petitioner’s* petition” that will “guide the life of the litigation.” *Id.*, at 1356 (emphasis added). And “[n]othing suggests the Director enjoys a license to depart from the petition and institute a *different* inter partes review of his own design.” *Id.* (emphasis in original).



These principles which this Court found within the proceedings of inter partes review apply to post-grant review, and therefore here to CBM review. All three mechanisms for USPTO review of issued patent claims begin with a petition which must meet certain requirements. See 35 U.S.C. § 312 (stating the requirements of a petition for inter partes review); 35 U.S.C. § 322 (stating the requirements of a petition for post-grant review and CBM review). The requirements of a petition for inter partes review are in fact identical to the requirements of a petition for post-grant review, and it is the petitioner alone who establishes the grounds in the petition to meet these requirements. Compare 35 U.S.C. § 312 with 35 U.S.C. § 322; see also 35 U.S.C. § 311 (“[A] person who is not the owner of a patent may file with the Office a petition to institute inter partes review of a patent.”); 35 U.S.C. § 321 (“[A] person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of a patent.”). It is the “petitioner’s contentions” that “define the scope of the litigation all the way from institution through to conclusion[,]” and nowhere in the AIA, for any of the three proceedings, did Congress grant the PTAB authority to change the grounds of the petition at any point. *SAS*, 138 S. Ct., at 1357.

“[A]n agency literally has no power to act . . . unless and until Congress confers power upon it.” *Arlington v. FCC*, 569 U.S. 290, 317 (2013) (Roberts, C.J., dissenting) (quoting *Louisiana Pub. Serv. Comm’n v. FCC*, 476 U.S. 355 (1986)). Because the PTAB changed the grounds of DISH’s petition, and because the AIA does not provide the PTAB the

power to change the grounds of a petition, the PTAB exceeded its authority. See *SAS*, 138 S. Ct., at 1355. The Federal Circuit thus erred in affirming the PTAB’s final written decision. To be clear, Customedia does not challenge the PTAB’s authority in relation to its decision to institute CBM review. Rather, Customedia asserts that the PTAB exceeded its statutory authority when it changed the grounds of DISH’s petition and then relied on them in issuing its final written decision. This action warrants this Court’s review.

**B. The Federal Circuit’s Decision Affirms  
An Executive Agency Violating Due  
Process and the Administrative  
Procedure Act**

The Due Process Clause of the Fifth Amendment “forbids an agency to use evidence in a way that forecloses an opportunity to offer a contrary presentation.” *Bowman Transp., Inc. v. Arkansas–Best Freight Sys., Inc.*, 419 U.S. 281, 288 n. 4 (1974); U.S. Const. amend. V. Additionally, the Administrative Procedure Act (APA) provides that “[p]ersons entitled to notice of an agency hearing shall be timely informed of . . . the matters of fact and law asserted.” 5 U.S.C. § 554(b)(3). “[T]he PTO is an ‘agency’ subject to the APA’s constraints . . .” *Dickinson v. Zurko*, 527 U.S. 150, 154 (1999). Here, the PTAB violated the APA and the Due Process Clause of the Fifth Amendment by relying on a twice-amended abstract idea in its final written decision without providing notice to the patent owner nor an opportunity for the patent owner to respond.

“Procedural due process imposes constraints on governmental decisions which deprive individuals of ‘liberty’ or ‘property’ interests within the meaning of the Due Process Clause of the Fifth or Fourteenth Amendment.” *Matthews v. Eldrige*, 424 U.S. 319, 332 (1976). In *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, this Court confirmed that patents are property that cannot be deprived by the government without due process. 138 S. Ct. 1365, 1379 (2018) (“[O]ur decision should not be misconstrued as suggesting that patents are not property for the purposes of the Due Process Clause . . . .”); see also *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (stating that patents may be considered “property” for purposes of analysis under the Due Process Clause of the Fourteenth Amendment). Thus, knowing that due process applies here, “the question remains what process is due.” *Morrissey v. Brewer*, 408 U.S. 471, 481 (1972).

At a minimum, the Due Process Clause requires that deprivation of property by adjudication “be preceded by notice and opportunity for hearing appropriate to the nature of the case.” *Mullane v. Cent. Hannover Bank & Tr. Co.*, 339 U.S. 306, 313 (1950); accord. *Grannis v. Ordean*, 234 U.S. 385, 394 (1914) (“The fundamental requisite of due process of law is the opportunity to be heard.”); *Matthews*, 424 U.S., at 332 (“The fundamental requirement of due process is the opportunity to be heard ‘at a meaningful time and in a meaningful manner.’” (quoting *Armstrong v. Manzo*, 380 U.S. 545, 552 (1965))). Additionally, the Administrative Procedure Act “codifies fairness guarantees for the

administrative process.” *Dep’t of Educ. of State of Cal. v. Bennett*, 864 F.2d 655, 660 (9th Cir. 1988). Indeed, the notice requirement of the Due Process Clause, as well as the APA, “ensures the parties’ right to present rebuttal evidence on all matters decided at the hearing.” *Pub. Serv. Comm’n of Ky. v. F.E.R.C.*, 397 F.3d 1004, 1012 (D.C. Cir. 2005) (Roberts, J.) (citations omitted); *Bowman*, 419 U.S., at 288, n. 4 (“A party is entitled, of course, to know the issues on which decision will turn and to be apprised of the factual material on which the agency relies for decision so that he may rebut it.”) In this case, the patent owner, Customedia, had *no* opportunity to be heard or offer a rebuttal when the PTAB amended *sua sponte*, for a second time, the abstract idea which it deemed the ’437 Patent to be directed to.

In its final written decision, in response to Customedia’s arguments, the Board—without argument from DISH or support in the record—changed the scope of its altered abstract idea by including four minimum steps:

- (a) identifying the electronic content to be rented on a remote storage device,
- (b) transferring that electronic content to a local storage device, (c) utilizing the electronic content on a local processing device, and, (d) when the rental period has concluded, somehow ‘returning’ the electronic content to the remote storage device.

App., *infra*, 101a. By doing so, the PTAB completely departed from the contentions set forth by DISH in

its petition. Proceeding from this analysis, the PTAB then found Claim 1 of the '437 Patent to be unpatentable under 35 U.S.C. § 101. The significance of the harm caused by the PTAB's decision lies in the two-step framework set forth by this Court in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), and *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014) because after Customedia proved that the claims were not directed to the PTAB's abstract idea, the PTAB incorporated into its abstract idea the conventional concepts which the '437 Patent is "significantly more" than. *Alice*, 573 U.S., at 225.

In *Mayo*, this Court "set forth a two-step framework for distinguishing patents that claim laws of nature, natural phenomena, and abstract ideas from those that claim patent-eligible applications of those concepts." *Alice*, 573 U.S. 208, 217 (2016). At step one, a court must determine "whether the claims at issue are directed to one of those patent-ineligible concepts." *Id.* (citing *Mayo*, 132 S. Ct., at 1296–97). If so, a court then proceeds to step two and must "consider the elements of each claim both individually and 'as and ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.* (quoting *Mayo*, 132 S. Ct., at 1298, 1297). Determining whether a claim is directed to an abstract idea—and what exactly that abstract idea is—thus predicates the second step of this Court's framework and the ultimate determination of patent-eligibility. Therefore, when the PTAB secretly uses a moving target at step one, it becomes impossible for a patent owner to respond

appropriately and further provide an accurate response at step two of the eligibility inquiry. This is particularly true when an agency shifts the goalposts in a final decision that cannot be rebutted at the administrative level.

If the claims of the '437 Patent recited the use of a conventional computer system to deliver rented data, and nothing more, Customedia would willingly admit that the claims are ineligible under *Alice*. See 573 U.S., at 221–24. Of course, “[a]t some level, ‘all inventions . . . embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas[.]’” and the claims here do not escape this truth. *Id.* (quoting *Mayo*, 566 U.S., at 71). But rather than being a conventional system implementing an abstract idea, the claims of the '437 Patent recite a specific hardware alteration to advanced set-top boxes (a microprocessor “watchdog”) that interferes with the conventional operation of the system to prevent unauthorized access by the user to protected digital data—thereby improving the operational security of the system. A conventional system to deliver rented data does not require security. Thus, like *Diehr*’s thermocouple, the addition of this microprocessor “watchdog” is a specific alteration that adds “significantly more[.]” *Alice*, 573 U.S., at 225, than the capabilities of a conventional system, and is thus patent-eligible. See 450 U.S., at 178, 184; see also *supra*, at 4–6. The PTAB even agreed as much by both finding that the claims were not obvious or anticipated by prior art and their actions of changing the scope of the asserted abstract idea *twice*. App., *infra*, 122a–137a, 30a, 101a–102a. Thus, Customedia suffered actual

harm by the PTAB's actions because Customedia was unjustly prevented from being heard and demonstrating that: (1) the four additional steps of the PTAB's modified abstract idea are not conventional nor required for systems that deliver digital data; (2) the '437 claims recite significantly more than the modified abstract idea and are patent-eligible under step two of *Alice*; and (3) the '437 claims are not even covered by the four additional steps of the PTAB's modified abstract idea.

If Customedia had been given the opportunity to be heard and present argument or rebuttal evidence, it would have shown that the claims are not directed to the PTAB's twice-modified abstract idea of its changed ground. In prior pay-per-view, video-on-demand systems, and near video-on-demand systems, cable providers transmitted movies, special event programming, such as boxing, and other rented content to a user's set-top box. In these conventional systems, the set-top box did not include memory for storing the received rented data nor did they include a user interface that allowed users to program processing functions that could be applied to the stored data. Instead, upon receiving the data, the set-top box output the content to the user's TV. Such systems are certainly within the realm of delivering rented audio/video electronic content to a user but such systems do not include the 'minimum step' of transferring that electronic content to a local storage device or the step of performing any return of the data—actual or simulated. Additionally, with such a system, there is no need to 'somehow return' the electronic content to the remote storage device.

Because the user's set-top box has no capacity to store the content, there is no content to 'somehow return.' Consequently, there is no reason or need to 'return' it. The needs and problems addressed by the '437 Patent are due to recent advances in set-top box capabilities, which are rooted in computer technology. Moreover, this 'return' step, as described by the PTAB, does not make sense, and the PTAB did not explain what it means to 'somehow return' electronic content to the remote storage device. See App., *infra*, 101a, 102a. If the PTAB meant the set-top box must be physically returned so the content provider regains possession, that is the anthesis of what the '437 Patent claims are directed to. The challenged claims *never actually return* the rented content to the content provider.

Accordingly, because the claims of the '437 Patent never actually return the content to the content provider, the twice-amended abstract idea that the PTAB proposed did not even cover the claimed invention. The PTAB even acknowledged such, but then stated, "[I]t would appear, at best, awkward to place multiple options into what should be a unitary determination of what the claim is 'directed to.'" App., *infra*, 102a. The PTAB then simply cast aside the specific and concrete technical solution of how the claims solve the technical problems presented as mere "implementation details." *Id.* In sum, Customedia was in fact harmed by the PTAB violating both the Due Process Clause of the Fifth Amendment and the APA.

Further, Customedia's deprivation of due process is compounded by the fact that there is "insufficient review within the [USPTO] over APJ panel



decisions.” *Arthrex*, 941 F.3d at 1331. Specifically, “[p]anels of APJs issue final decisions on behalf of the USPTO, at times revoking patent rights, without any principal officers having the right to review those decisions.” *Ibid.* Even though the Director is a member of the PTAB, his membership does not allow him to directly review or change any unpatentability decision because at least three PTAB members must hear each case. 35 U.S.C. § 6(c). And once the PTAB issues a final written decision, the Director’s hands are tied as he “shall issue and publish a certificate,” even if he disagrees with the PTAB’s decision. 35 U.S.C. § 328(b). The PTAB’s rehearing procedure does not provide the Director with meaningful control over APJ decisions either as the decision to rehear is not made by the Director, but by a panel of at least three members of the PTAB. 35 U.S.C. § 6(c). In sum, when a panel of APJs deprives a party of its due process rights or violates the APA in a final decision, the USPTO contains no internal procedures to appropriately review and correct such a grave error. The unique structure of the USPTO allowing APJs to render such final decisions without meaningful review thus amplifies the gravity of the Federal Circuit’s error in affirming the PTAB’s violations.

Without providing notice or an opportunity to be heard, the PTAB deprived Customedia of due process and violated the APA. The Court should review the Federal Circuit affirming an executive agency violating the Due Process Clause of the Fifth Amendment and the APA, and exceeding its statutory authority under the AIA. Additionally, the Court should utilize this opportunity to address

whether claims which recite alterations to conventional systems that improve the functioning of the systems are patent-eligible. Accordingly, the Court should grant this petition.

### CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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